

STATEMENT OF
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MEDIA OWNERSHIP
WORKSHOP ON
FINANCIAL AND
MARKETPLACE ISSUES

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ION Media Networks (“ION”) is pleased to have the opportunity to provide its perspective on the FCC’s review of its media ownership rules and the impact of the current economic and competitive climate on that process. My name is Brandon Burgess and I have been ION’s Chief Executive Officer since 2005.

ION is one of the few surviving independent television broadcast networks. Our 59 television stations provide programming 24/7 to over 70 million television households in the U.S. in addition to another nearly 30 million cable and satellite homes where we do not have stations.

We are a truly independent broadcaster – we do not have an in-house production arm or movie studio, and we have no major network affiliations or ownership ties to cable or satellite distributors.

ION is in a turn-around process that started 3 years ago, when the company was saddled with over \$2.5 billion of debt from a prior regime and had no viable operating vision for its broadcast assets.

Today, our company is debt free after successfully completing a recapitalization backed by independent financial investors. Operationally, we are establishing ourselves as an innovative and entrepreneurial contributor in an increasingly vertically integrated television landscape.

Our financial and operational progress is grounded in the belief that as broadcasters we need to become nimbler and humbler in embracing change and re-invent our business to adequately serve 21st century digitally empowered and skilled consumers.

Similarly, for the purpose of today's topic, we submit that we should not spend too much time on rules that attempt to legislate matters of declining marketplace relevance. Regulation designed to ensure that traditional outlets across various old media don't dominate yesterday's world, does little to ensure that diverse, independent, and innovative players have a fair and equitable chance to compete in an increasingly vertically consolidated digital future.

Horizontal consolidation across old media may be far less of an impediment to competition and diversity today than nationwide vertical consolidation in unregulated segments of the video and digital marketplace.

Most TV broadcasters are in fact not owned by the Big-4 networks, do not own a newspaper, and are not vertically integrated with a program production studio, a cable or satellite provider, or a large telephone company.

I encourage the Commission to look beyond consolidation at the top of the traditional media food chain and take into account the smaller and independent companies, whose role in the media marketplace should be fully considered and protected on dimensions like fair access and pricing.

The commission should also consider incentives and support for companies who show innovation and job creation or preservation in this economic climate. The digital television transition to DTV has given broadcasters an R&D development platform to bring new dimensions to traditional over-the-air television.

Even during a time of economic duress, our company has not only made a point of fully embracing this innovation potential of DTV, but has done so in close bipartisan cooperation with the Commission, and with a constant eye towards the objective of being seen as a responsible broadcaster despite the financial challenges we have been working through.

We are beginning to see the fruits of this approach which -- from a product development perspective -- we like to evangelize among broadcasters as the "DTV Tripleplay":

1) Traditional Broadcasting. ION has rolled out a High Definition quality version of its primary network as part of the 2009 digital transition. ION Television uses its main over-the-air broadcasting platform to offer a mix of hit television series, theatrical movies, and specials. With our financial restructuring behind us, we are also entering a phase of new original productions, including made-for-TV movies and specials. You will see and hear more news from us on this front in coming months and years.

2) New Digital Channels. Digital technology enables allows us provide viewers with multiple over-the-air streams of high-quality programming. ION currently uses this capability to offer two innovative digital channels dedicated to important demographics. First, together with partners including Scholastic and CORUS Entertainment, ION helped launch **qubo**, the nation's only free, over-the-air 24/7, nationally distributed children's programming service. **qubo**

provides a safe, educational viewing destination for kids and their parents and treats the issue of advertising with heightened sensitivity to the childhood obesity epidemic. We have also collaborated with the FCC on this front.

In addition, ION distributes the **ION Life** digital network. **ION Life** is a digital network dedicated to the celebration of healthy and empowered lifestyles. The channel's program lineup includes health and wellness, competitive and lifestyle sports, as well as "best of" series on travel, design and décor, shopping, family activities, and personal achievement.

3) Wireless DTV Broadband Video. One of the most innovative capabilities of DTV is its potential to take local broadcast television mobile. Mobile DTV has the potential to make broadcasters a valuable contributor to the wireless DTV broadband video market. Mobile DTV promises to add an entirely new dimension to the over-the-air viewing experience and to transform digital broadcasting into mobile wireless broadband video delivery.

ION has been a leader in the development of Mobile DTV for our country, and I am pleased to serve as President of the Open Mobile Video Coalition (OMVC), an alliance of over 800 U.S. commercial and public broadcasters formed to accelerate the development and rollout of Mobile DTV.

Consumer surveys show a high degree of interest – particularly among young people – for mobile video offerings, and over-the-air broadcasters are uniquely positioned to provide it. The national television broadcast system, with

its focus on service to the public, is the ideal medium for providing consumers with the local information and entertainment they desire on their mobile devices.

I just returned from the Consumer Electronics Show in Las Vegas, where we demonstrated a wide range of new products that bring Mobile DTV to consumers and reshape the way in which viewers watch TV. One such product – the “Tivit” -- won various CES awards.

I’m pleased to report that, in just a few weeks, OMVC is launching a Mobile DTV consumer showcase in the greater Washington DC metro market. Eight local television stations, including ION’s WPXW-DT, will participate in this program. Our expectation is that this showcase will be the next giant step on the road to the nationwide availability of Mobile DTV.

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Unfortunately for broadcasters and the viewing public, the beginning of the DTV era coincided with a period of unprecedented financial hardship for the nation’s television broadcasters. In the worst economic meltdown since the Great Depression, advertising revenues – which in our case are the sole source of revenue – all but disappeared in 2008 and 2009.

The Commission should take today’s challenging economic conditions into account as it reviews its broadcast regulation and examine whether the

business is changing so fast that old rules may become not just obsolete, but a hindrance to much needed modernization and employment. The Commission should examine whether relaxing decades-old ownership rules might aid the broadcast television industry's recovery, competitiveness and innovation.

Equally important, the Commission should not further encumber broadcast ownership in the current economic environment, even if it believes such restrictions might be warranted under normal economic circumstances. Introducing new ownership restrictions in an economic climate that threatens the economic survival of regulated industries seems misplaced.

The FCC cannot control the economy, but it can make certain that when the economy turns around and the advertising industry bounces back, broadcasters have a regulatory foundation to improve television service to the public by DTV and to compete fairly in an evolving developing marketplace.

And, in any event, the Commission's periodic review always ensures that the Commission will have opportunities to evaluate its rules every few years.

The Commission asked whether lenders pay attention to the Commission's rules and let me tell you that they do. Credit that is already tight for broadcasters weighed down by debts associated with the DTV transition, will be further jeopardized in the face of new ownership restrictions.

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In closing, the guiding principles the Commission should use in evaluating its ownership regulations is that its rules should fairly position broadcasters relative to its often much larger and well financed and consolidated media competition.

The Commission's rules should let the marketplace pick the winners and losers but also ensure that everyone – including small and independent players like ION – have a fair chance to realize their investment in serving consumers through broadcast innovation.

DTV adds a valuable voice and technology dimension to the mobile broadband video market, and the Commission's ownership and other rules should ensure that that potential is nurtured, not squandered.

ION continues to strive to offer viewers the best possible product within our financial means and consistent with our public interest obligations as established by Congress and the Commission.

We invite the FCC to address its ownership rule review not only to the big media players at the top of the food chain, but also to independents like ION and other smaller operators who work hard to contribute to a diverse and affordable television system for all Americans.